

ທີ່ ອິນໄລ ແລະ ດັວຍເກມ ທີ່ ດັວຍເກມ

BRUSSECX:
ACTION: ECON UECON
INFO: PAO UDCM UCUST UFCS PR POL UPAO UNAS UPOL UAGR
UAMB DCM FCS AMB UAID DAO

DISSEMINATION: ECON
CHARGE: PROG

VZCZCBSO368
PP RUEHBS
DE RUEHC #2532/01 0092308
ZNA UUUUU ZZH
P 092255Z JAN 09
FM SECSTATE WASHDC
TO RUEHBS/USEU BRUSSELS PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 6810
RUEHAB/AMEMBASSY ASHGABAT PRIORITY 0579
RUEHBK/AMEMBASSY BAKU PRIORITY 7885
RUEHPG/AMEMBASSY PRAGUE PRIORITY 9396
ALL EUROPE COLLECTIVE
INFO RUEHTA/AMEMBASSY ASTANA PRIORITY 1616

UNCLAS SECTION 01 OF 02 STATE 002532

SENSITIVE BUT UNCLASSIFIED

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TAGS: CR ENRG EPET EU TK
SUBJECT: EU'S CASPIAN DEVELOPMENT CORPORATION

SUMMARY

¶1. (SBU) The European Commission (EC) has proposed the creation of the "Caspian Development Corporation (CDC)," which it believes will accelerate Caspian natural gas and infrastructure development, specifically from Turkmenistan. The Commission has proposed an expedited World Bank feasibility study on the CDC and related concepts. The Commission has requested that the U.S. actively support their request for a World Bank feasibility study and the Deputies Committee has considered the idea and approved. Posts, particularly USEU, Embassy Ankara and Embassy Prague, may draw on the points below in Para 5 to communicate U.S. support for a feasibility study on the CDC concept.

BACKGROUND

12. (SBU) The European Commission (EC) has proposed the creation of the "Caspian Development Corporation (CDC)," which it hopes will accelerate Caspian gas and infrastructure development by aggregating gas demand from European buyers and presenting Turkmenistan - and possibly other producers - with a single credit-worthy European client. The Commission hopes that a single buyer providing demand and price guarantees will encourage upstream development and the construction of transport infrastructure across the Caspian. The CDC will need to comply with EU competition regulations or receive a derogation. Additionally, the CDC can set a precedent for EU Member States unifying their negotiating efforts to strengthen their bargaining leverage with Russia's Gazprom.

13. (SBU) European and U.S. companies say that, if structured correctly, the CDC could encourage upstream development of Turkmenistan's substantial gas resources and the construction of the necessary infrastructure to move gas across the Caspian westward. Companies do not anticipate that the CDC, as currently envisaged, would negatively impact their upstream projects in the Caspian region. However, U.S. firms have expressed concern about the level of governmental involvement in the CDC and want to ensure that European companies do not receive any privileged status and that the CDC does not become a means for subsidized or preferential sales into the European market.

14. (SBU) The EC is proposing an expedited World Bank feasibility study to examine options to better coordinate Europe's efforts to promote Caspian gas production and infrastructure development, including the creation of the CDC. If the CDC concept is confirmed, the study would further develop the concept, including its actual structure and financing. The Commission has asked Turkey to request the study, which the European Investment Bank would then fund. Despite the fact that studies do not need formal U.S. approval, the European Commission has requested active U.S. support for a World Bank study.

TALKING POINTS

15. (SBU) Agencies and Posts - particularly USEU, Embassy Ankara and Embassy Prague - may draw on the following points to communicate U.S. views on the CDC concept:

-- We support efforts to promote Europe's energy security through the diversification of energy supplies.

-- We support efforts that will encourage Turkmenistan and other Caspian countries to develop their gas reserves and send them to Europe through a Southern Corridor for gas.

-- The United States supports the European Commission's proposal for an expedited World Bank feasibility study to examine, define and refine the CDC concept and/or a similar concept that enhances coordination. We have expressed our support to the World Bank.

- The proposed World Bank study could help guide the CDC concept and ensure it supports Commission goals without impeding private sector resource development.
- Free market forces and the private sector should be the primary means through which gas is produced, transported and purchased. Accordingly, we urge the Commission to follow through on its stated commitment to include the private sector in the CDC initiative from start to finish, ensuring the CDC affirms transparency, competition and market mechanisms. We must be mindful of this being a substitute for commercial activity.

-- EU and international firms that choose not to participate in the CDC should in no way be discriminated against in competing for natural gas resources. The CDC should not be a mechanism for selling gas on a subsidized or preferential basis.

-- We cannot not support CDC if it becomes directly involved in upstream development, as private companies with the financial, technical and operational expertise to bring new resources online are best positioned to accomplish develop energy resources. The Commission should stress to Turkmenistan the need for private upstream investment.

-- We welcome updates on the CDC study and look forward to cooperating with the EC on improving European energy supply diversification and development of a Southern Corridor for energy.

RICE